

## **Summary of H.R. 627, the Credit Cardholders' Bill of Rights Act of 2009**

This bill significantly strengthens consumer protections for credit card accounts by prohibiting certain unfair and deceptive credit card practices and providing consumers with tools to manage their credit card debt responsibly.

Important new consumer protections in the bill include—

- Prohibiting retroactive rate increases on existing balances except under limited circumstances, such as when the consumer is over 30 days late in making payment, and requiring creditors to provide consumers with a reasonable time to pay off the balance;
- Requiring creditors to provide a written notice of any rate increase at least 45 days before the increase takes effect, and to send periodic statements to consumers no less than 21 days before the payment due date;
- Prohibiting double cycle billing (the practice of basing the finance charge for the current billing cycle on balances that were outstanding in the preceding billing cycle);
- Requiring creditors to allocate payments in excess of the minimum to either the highest rate balance first or in a proportional manner;
- Requiring creditors to offer cardholders the ability to prevent any over-the-limit transactions on their card and limiting over-the-limit fees;
- Prohibiting fees on interest-only balances;
- Prohibiting creditors from knowingly issuing a credit card to a person under 18 years of age who is not emancipated;
- Prohibiting creditors from reporting the issuance of any credit card to a credit bureau until the cardholder uses or activates the card; and
- For credit cards on which fees in the first year exceed 25 percent of the initial credit limit, requiring that such fees (except late, over-the-limit, and insufficient fund fees) be paid from a source other than the card.

The bill also provides for additional data collection to enable better oversight and regulation of credit cards.